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RUEHBJ/AMEMBASSY BEIJING 2148
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RUEHLJ/AMEMBASSY LJUBLJANA 0562
RUEHNE/AMEMBASSY NEW DELHI 1340
RUEHJA/AMEMBASSY JAKARTA 0737
RUEHSA/AMEMBASSY PRETORIA 1970
RUEHSG/AMEMBASSY SANTIAGO 0007
RUEHSL/AMEMBASSY BRATISLAVA 0016
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UNCLAS SECTION 01 OF 03 PARIS 000022

C O R R E C T E D F O R ADDITION OF COUNTRY TAG (RS)

SENSITIVE

SENT FROM US MISSION TO OECD

SIPDIS

12958: N/A

TAGS: [ECON](#) [ETRD](#) [EFIN](#) [PREL](#) [OECD](#) [XG](#) [XH](#) [RS](#)

SUBJECT: Russia's Accession to the OECD

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REFTEL: 08 State 99736

11. (SBU) Summary: The slow pace of Russia's accession to the Organization for Economic Cooperation and Development (OECD) reflects poor internal coordination by the Russian Government and the significant hurdles that Russia faces in demonstrating consistency with the OECD's open market principles. Russia's continued non-membership in the WTO is also a major obstacle. As a result, the timetable for OECD internal review is likely to be extended to late 2011 and early 2012. Russia's interest in OECD membership provides unique leverage points for encouraging Russia to make domestic reforms and become a more responsible international actor. Post recommends that the USG use the U.S.-Russia Bilateral Presidential Commission as a vehicle to encourage Russia to stay on track with the accession process. Guidance is requested on questions of timing for Committee reviews in areas which would be impacted by eventual WTO membership. End Summary

RUSSIA LAGS BEHIND OTHER ACCESSION COUNTRIES

12. (SBU) In May 2007 the OECD Council of Member State Ambassadors invited Russia, Estonia, Slovenia, Israel and Chile to begin the accession process to become members of the OECD based on a "Roadmap" which laid out the criteria by which the OECD Council would eventually assess the countries' willingness and ability to assume the obligations of OECD membership. The Russian Roadmap (as with the other accession countries) includes acceptance of the established body of OECD instruments, standards and benchmarks and a commitment to fundamental values which include pluralistic democracy based on the rule of law and the respect of human rights and adherence to open and transparent market economic principles. In the case of Russia, the Road Map also stipulates that World Trade Organization (WTO) membership is considered essential for becoming an OECD member. (All current OECD members are also members of the WTO.) Chile completed the accession process in December 2009; Israel, Estonia and Slovenia are expected to complete the process by late spring 2010. Russia, however, only submitted its Initial Memorandum - the first step in the process -- in June 2009.

13. (SBU) In its Initial Memorandum (a 249 page document), Russia either took a reservation to, requested an unspecified transition

period or refused to adopt certain OECD legal instruments in areas such as anti-bribery, liberalization of capital markets, co-production of films, control of trans-border movement of waste, environment and tourism, tax, fisheries, governance of multi-national enterprises, national treatment on access to local bank credit and shipbuilding. (Russia's reservations are discussed in more detail in septel.) OECD accession candidates (similarly to OECD members) are permitted to take reservations to most OECD instruments, but these reservations must be accepted by the respective OECD subject matter committees - and ultimately by the OECD Council. The Roadmap notes that rejections and reservations to OECD instruments should be used as "sparingly as possible." Transition periods are permitted, but under the same terms - that they must not nullify the country's willingness and ability to assume the obligations of OECD membership.

PART OF THE PROBLEM: LACK OF GOR COORDINATION

¶4. (SBU) Following the presentation of the Initial Memorandum, OECD committees commenced review of Russia's application, supplementing the information contained in the Initial Memorandum with extensive committee-specific questionnaires which Russian authorities were requested to complete. To date only 5 out of 22 OECD bodies have done an initial review (see septel for committee-by-committee analysis) and Russian responses continue to be slow and incomplete - despite the high-level affirmations of political will. Russia's Ministry of Economic Development nominally acts as Russia's OECD accession coordinating authority along with the Ministry of Foreign Affairs. However, OECD staff members have noticed that the line ministries - Finance, Health, Environment, etc., ignore requests for information from their lateral counterparts in Economic Development. The OECD Secretariat is unsure whether Russia's lackluster engagement is a result of a lack of capacity or simply reflects disinterest among the ministries receiving the questionnaires. Based on experience with other accession countries, the OECD

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Secretariat believes that a better mechanism would be a central coordinating authority in the Office of the Prime Minister or Deputy Prime Minister Shuvalov.

WTO MEMBERSHIP - AND OTHER HURDLES

¶5. (SBU) WTO Membership: The Accession Roadmap calls WTO membership essential to OECD accession. Given the status of Russia's WTO accession negotiations, the OECD Secretariat is also becoming increasingly concerned about the ability of the OECD accession process to proceed beyond a certain point in certain committees. This view is shared by members, including the United States. USDeIs to the OECD Trade Committee Working Party in December 2009 delivered the message that the U.S. was not in a position to provide substantive comments on a market openness review until Russia's WTO accession process advances. The issue is likely to come up in other committees such as agriculture, insurance and private pensions, and possibly banking and finance.

¶6. (SBU) "Core Values:" While the OECD invitation to commence the accession process states that invited countries are expected to share OECD "core values," this can be reviewed at any time during the accession process (and Russia's respect for core values will be part of the final evaluation conducted by the OECD Council.) By way of example, the Russian invasion of Georgia in 2008 was seen by the USG as calling into question Russia's adherence to OECD norms and values. The U.S. Delegation was instructed at the time (reftel) to request that OECD desist from high-level contacts with the GOR (while continuing with working-level contacts). On Rule of Law issues, the Secretariat reports that Russia has been sending all the right signals with regard to adoption of the OECD's Anti-Bribery Convention, but that it is unlikely to make the March 2010 deadline for its preliminary review by the OECD's Working Group on Bribery. At a recent bilateral meeting in Paris (septel) between Russian First Vice Minister of Justice Aleksander Fedorov and Department of Commerce General Council Cameron Kerry, Fedorov indicated that the lead on anti-bribery efforts had recently been transferred to the

Ministry of Justice -- it is unclear whether this will lead to an improvement in Russia's ability to meet deadlines.

NEXT STEPS

¶17. (SBU) According to the OECD Legal Directorate, in February, the Secretary General intends to ask the OECD Council to take stock of the pace and quality of Russian accession. The Secretary General is likely to pose three scenarios in an attempt to solicit reactions from member states: 1) to allow the process to continue at its current pace; 2) to begin consideration of suspension of the accession process if Russia does not start responding more quickly and thoroughly, allowing Russia to pick the process back up when it is ready; or, 3) to set a future deadline to withdraw from the process with Russia, if the situation does not change. Scenarios two and three if posed by the Secretary General would likely be framed as "worst case" given the political difficulties that either would cause.

COMMENT AND GUIDANCE REQUESTED

¶18. (SBU) Moving the process forward: Russian accession is very much in the U.S. interest, and the process itself provides important leverage points. (Among other things, Russia will only become eligible for membership in the International Energy Agency (IEA) - a USG priority - after it accedes to the OECD.) The recently established U.S.-Russia bilateral Presidential Commission could be a useful vehicle for the U.S. to encourage Russia to consider how it is handling the OECD accession process, and suggest that a higher-level coordination unit may be useful. Russian responses on sectoral issues, such as health (which we understand has been lagging) can be encouraged as well by U.S. sectoral counterparts

¶19. (SBU) Active participation in OECD Committees: As an accession candidate, Russia has carte blanche to attend most OECD Committee meetings. However, Russian participation has been spotty (with the exception of participation in the Competition and Employment Committees) and is often a Paris Embassy observer, rather than a

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technical expert. We recommend USG encouragement of more active Russian participation in additional committees such as Environment, Financial Markets, Fiscal Affairs, Insurance and Private Pensions and Investment

¶10. (SBU) Working in tandem with other OECD members: Other OECD member states can provide the same encouragement and support. This issue could be raised with EU and APEC partners.

REQUEST FOR GUIDANCE

¶11. (SBU) The United States will need to respond to the Secretary General's proposals concerning the pace of accession. In Post's view we should continue the accession process (option 1) and not support suspension. At the same time, we note that Committee accession reviews normally result in lengthy and detailed reports. Preparation of these reviews consumes considerable Secretariat resources, including travel by staff to Russia, and extensive legal review before dissemination to member states. In our view, given the demand on resources that these reviews take, it might be best to signal that the U.S. does not support advancement in some potential problem areas: such as trade, agriculture, insurance and private pensions, and possibly banking and finance, until WTO accession negotiations reach an advanced state where Russia's concessions are known.

Monroe